

Outline of Draft Proposal  
for a  
United Nations Bank for Reconstruction and Development

I. The purposes of the Bank

1. To <sup>assist</sup> ~~assist~~ private capital in the reconstruction and development of member countries <sup>by cooperating</sup> when such assistance is <sup>with</sup> desired by the private financial agencies. <sup>in the provision of capital for sound & constructive investment.</sup>
2. To supply capital for reconstruction and development, under conditions which will amply safeguard public funds, when private financial agencies are unable to supply the needed capital on reasonable terms.
3. To facilitate a rapid and smooth transition from a war-time economy to a peace-time economy in ~~the~~ member countries. <sup>They</sup> ~~to avoid the direct~~ <sup>to avoid the direct</sup> ~~disturbance in the~~ <sup>economic life of member countries.</sup>
4. To help strengthen the monetary and credit structures of the member countries.
5. To increase the volume of foreign trade among member countries and to reduce the likelihood, intensity and duration of world wide economic depressions.
6. To help raise the productivity and hence the standard of living of the peoples of the member countries. <sup>facilitating</sup> <sup>by encouraging &</sup> <sup>the provision of capital for sound & constructive investment</sup>

Amend item I 4 (page 1) to read as follows:

- "4. To help strengthen the monetary and credit structures of the member countries including the refinancing of outstanding regressive foreign loans of member governments and assistance in the renewal of service on defaulted foreign loans of member governments on fair and reasonable terms."

7. To promote a greater degree of economic cooperation and collaboration among the member countries, and to make easier the solution of many of the economic and political problems that will confront the "peace conference".
8. To enhance the opportunity throughout the world for a healthy development of democratic institutions.

} preamble

II. Capital Structure of the Bank

1. The capital ~~stock~~ shall be <sup>authorized</sup> ~~authorized up to a sum~~ <sup>equivalent to not more than</sup> equivalent to \$10 billion consisting of 10,000 shares each having a par value equal to one million dollars.
2. The subscription of each participating government shall be determined by an agreed upon formula. The shares of the Bank shall be non-transferable.
3. The initial payments for each country shall be 20 percent of its subscription, some portion of which shall be in gold and the remaining <sup>remainder</sup> half in local currency. The proportions of gold <sup>to be paid in</sup> to local currency <sup>shall graduated</sup> may be different for each group of countries according to an agreed upon schedule.
4. The <sup>member countries</sup> ~~participating governments~~ shall be called upon to <sup>after</sup> ~~be called upon to~~ make the initial payments, and to pay <sup>within 60 days of the date set for the operations of the Bank to begin.</sup> the remainder of their respective subscriptions in such amounts and at such times as the Board <sup>shall be paid</sup> ~~of Directors of the Bank~~ may



II-2a. Each member <sup>country</sup> ~~government~~ shall subscribe to a number of shares <sup>to be</sup> determined by an agreed upon formula. The formula shall take into account the national income of the member country <sup>and</sup> the aggregate amount of its foreign investments, ~~and other relevant data.~~

II-2a. The shares of the Bank shall be <sup>non-transferable</sup> non-transferable, ~~and~~ non-assessable, <sup>+ non-taxable.</sup> except as the Board may call for payment of the unpaid portions of subscriptions in accordance with II-4. The liability <sup>on shares</sup> of shareholders shall be limited to the unpaid portion of <sup>the subscription price.</sup> ~~their subscription.~~ taxable

for the operation of the Bank.  
- 3 -

for further payments on subscriptions

determine, but not more than 20 percent of the subscriptions may be called in any one year. ~~nor shall any be called for unless needed.~~ *calls shall be uniform on all shares*  
~~shall be made~~ *and further calls shall be uniform.*  
The proportion of subsequent payments to be made in gold shall be ~~the same as in the~~ *determined in accordance by*

*with the same schedule* ~~initial payment.~~ *when the resources of the*  
~~Each member government agrees to purchase back each year~~ *substantially in excess of prospective*  
~~2 percent of its local currency held by the Bank paying~~ *of the paid in subscriptions*  
~~for it with gold.~~ *local currency amounting*  
*less the gold paid in*

6. Changes in the proportionate subscriptions of participating governments shall be permitted only with the approval of a four-fifths vote of the Board of Directors, provided approval of the countries whose proportions are to be increased shall be included in the four-fifths vote.

7. All member countries agree that all of the local currency holdings and other assets of the Bank located in their countries shall be free from any restrictions as to their use.

III. The International Monetary Unit

1. There shall be established an international monetary unit to be called the Unitas *having*
- ~~2. The Unitas shall have~~ a value equal to that of 137-1/7 grains of fine gold, that is, equivalent to \$10 U.S.
- ~~3. The Bank shall keep its accounts in terms of the Unitas.~~

*2. The local currency assets of the Bank shall be guaranteed against any depreciation of their value in terms of the Unitas.*

*no calls*  
*country needs*  
*in II 3 as it applies to each member country at the time of each call.*

Amend item II 5 (page 3) to read as follows:

"5. Each member government agrees to purchase back each year 2 per cent of its capital subscription of local currency, whether paid in or not, paying for it in gold."

II-8. The resources of the Bank shall be used exclusively for the benefit of member countries. *to facilities*

III-2. § The Bank shall keep its accounts in terms of unitas. Each member country shall guarantee the Bank against any loss arising from a depreciation of the unitas value of the local currency assets of the Bank.



IV. Powers and Operations

*Preamble*

1. The Bank shall cooperate with the international financial agencies, governmental lending and development agencies and investment institutions in member countries to facilitate the development of sound and constructive international investment. The Bank shall be guided by the principle that wherever possible loans should be secured directly from investment channels.

2. The Bank may buy, sell and hold direct or guaranteed obligations and securities of any participating government; it may discount or, (2) it may establish or ~~(3)~~ *take in 4 underneath as 3.* it may make loans for periods up to 20 years to any member country, ~~or (4)~~

*Preamble*

3. The Bank shall facilitate and encourage international investment for the following purposes:

- (a) For constructive undertakings that contribute to the agricultural, industrial and commercial development of member countries.
- (b) For other business purposes directly or indirectly contributing to the balanced growth of international trade.
- (c) For governmental undertakings involving investment for roads, public utilities, sanitation and other public projects contributing to the well being of the community.
- (d) For the rehabilitation of the monetary systems of member countries which have been disturbed by the war and for the refunding of abnormal balances that have been accumulated as a result of the war.
- (e) For facilitating the consolidation, refunding or adjustment of foreign debts where the borrowing country and the principal lending country are both members of the Bank.

4. In considering any application to facilitate an international loan to a member country, the Bank shall give due regard to the effect of such a loan on business conditions in the lending and borrowing countries. More particularly, the Bank shall consider:

- (a) whether the project is sound and in the public interest,
- (b) whether there is assurance that the local currency earnings and tax proceeds will be sufficient to meet the income and amortization requirements on the debt,
- (c) whether there is assurance that the prospective balance of payments position of a borrowing country will permit the transfer of funds to meet the maturing obligations.

5. (replaces 4) The Bank may make loans for short, intermediate, or long periods for the purposes and under the conditions stated above, provided:



- b. The borrower is unable to <sup>secure</sup> borrow the funds from other sources, even with the national government's guarantee of repayment, ~~except~~ at rates of interest <sup>and</sup> other conditions which in the opinion of the Board are <sup>reasonable,</sup> ~~too onerous.~~ (~~See A-9,~~ below)
- c. A competent committee has made a careful study of the merits of the project and of the loan and, in a written report, <sup>concludes</sup> ~~definitely shows~~ that the loan would serve directly or indirectly to raise the productivity of the borrowing country and that the country's budgetary and balance of payments prospects are favorable to the servicing of the loan. The majority of the committee making the report shall consist of members of the technical staff of the Bank. The committee shall include an expert selected by the country requesting the loan who may or may not be a member of the technical staff of the Bank. (Appendix A-4c)
- d. The Bank shall make arrangements to assure the use of the proceeds of the loan for the ~~purpose or~~ <sup>for</sup> purposes ~~on the acceptance of~~ which the loan was approved.
- e. No extension of credit shall be made by the Bank to any country or political subdivisions or business enterprises in any country of which the

Amend item IV A 4 c (page 5) to read as follows:

"c. A competent committee has made a careful study of the merits of the project and of the loan and in a written report, definitely shows that the loan would serve:

- i. Directly or indirectly to raise the productivity of the borrowing country; or
- ii. To refinance on a sound basis an outstanding loan of the borrowing country which is regressive in nature and tends to unduly burden the economy of such country; or
- iii. To assist in the renewal of service on a defaulted foreign loan of the borrowing country on fair and reasonable terms;

and that the country's budgetary and balance of payments prospects are favorable to the servicing of the loan. The majority of the committee making the report shall consist of members of the technical staff of the Bank. The committee shall include an expert selected by the country requesting the loan who may or may not be a member of the technical staff of the Bank. (Appendix A-4 c)"



National government is in whole or partial default on a foreign loan, unless

- (i) The defaulted loan was made between Allies <sup>grow out of</sup> in the conduct of a common war, or
- (ii) The defaulted <sup>ing?</sup> government has <sup>offered</sup> agreed to renew service of the defaulted debt on a <sup>basis</sup> which, in the judgment of the Bank, is fair and reasonable, basis worked out by a special committee, including a representative of the borrowing country, appointed by the Bank for that purpose and approved by the Bank, or
- (iii) Three-fourths of the member votes approve the loan.

*Johnson Act*

*If necessary to aid in an adjustment of service for a defaulted or overdue loan, the Bank may lend to the defaulting country not more than 50% of the service for 3 years.*

f. The Bank shall not make any loan to a member country <sup>except with</sup> without the approval of three-fourths of the member votes, when the loan is to be used for, or is to make possible, adjustment of a foreign debt.

*Why do this all?*

g. The Bank shall impose no condition upon an extension of credit or loan as to the particular country in which the proceeds of the loan must be spent. <sup>substitute</sup>

h. The loan shall be expressed in Unitas and shall be repaid in gold, or in Unitas, or in other currencies acceptable to the Bank.

*? doesn't see in clearly with 4d*

*No part of the proceeds of any loan shall be spent in any country which is not a member*

*Such loans, guarantees & participations for such purposes shall not exceed 10 percent of the paid in capital of the Bank.*

Delete all of item IV A 4 e and f (pages 5-6) and substitute in lieu thereof:

- "e. In extending credit to any country or political sub-division or business enterprise in any country of which the National government is in whole or partial default on a foreign loan, the Bank shall give due consideration to the fact of such default, the capacity of such country to adjust such default, and to the efforts, if any, of such country to effect a fair and reasonable settlement thereof."
- "f. The Bank shall not extend credit for the purpose of refinancing outstanding loans or for the purpose of adjusting defaulted foreign loans of member countries in a total amount in excess of 10 percent of its capital except with the approval of four-fifths of the member votes."

Amend item IV A 4 g (page 6) to read as follows:

- "g. The Bank shall impose no condition upon an extension of credit or loan as to the particular member country in which the proceeds of the loan must be spent, provided, however, that the proceeds of a loan may not be spent in any country which is not a member <sup>of the Bank</sup> country without the approval of the Bank."

Amend item IV A 4 h, (page 6) to read as follows:

- "h. The loan shall be expressed in Unitas."



5. The Bank shall make loans only at <sup>reasonable</sup> ~~low~~ rates of interest -- with a schedule of repayment appropriate to the character of the project and the balance of payments prospects. Loans made for the purpose of providing metallic reserves or otherwise strengthening monetary systems of the borrowing country should ordinarily bear lower rates of interest and may have longer terms of repayment than loans made for other purposes.

6. To guarantee loans made by private investors ~~to or through the government of any member country,~~ provided:

a. <sup>Substitute</sup> The payment of interest and principal of the loan is guaranteed by the national government of the member country.

b. The Bank shall not guarantee payment of more than 80 percent of the principal and 50 percent of the interest.

c. The loan is not for the purpose of repayment of an old loan.

d. The rate of interest is not excessive.

e. The Bank receives a <sup>compensation</sup> ~~portion of the interest~~

~~receipts as payment for its risk.~~ <sup>in guaranteeing the loan</sup>

7. The Bank in making long-term loans shall grant to the borrowing country not more than ~~85~~ percent of the

*Bank will guarantee loans necessary to make private institutions to make this type of guaranteed loan.*

*Bank would be willing to make the loan if certain conditions were met*

*reduce*

Amend item IV A 6 (page 7) to read as follows:

"6. To guarantee loans made by private investors for public or semi-public purposes, provided:

- a. (i) The payment of interest and principal of the loan is guaranteed by the national government of the member country, or
- (ii) in lieu thereof, a competent committee has made a careful study of the merits of the project and, in a written report, definitely shows that the loan would serve directly or indirectly to raise the productivity of the borrowing country and that the borrower's prospects are favorable to the servicing of the loan. The majority of the committee making the report shall consist of members of the technical staff of the Bank. The committee shall include an expert who is a national of the borrower's country and who may or may not be a member of the technical staff of the Bank and an expert designated by the private agency making the loan.

No loan shall be guaranteed by the Bank, however, unless the national government of the country involved guarantees that it will not impose exchange or similar restrictions directly or indirectly having the effect of preventing the borrower from meeting its commitments under the loan."



project?

estimated cost of the project. At least 75 percent of the loan must be financed locally, ~~in local~~ currency.

Should the technical report indicate that the project necessitates expenditures on foreign goods and services substantially less than 75 percent of the total cost of the project, the proportion of the cost of the project that the Bank should finance should be reduced accordingly. In estimating the proportion of the cost of the project that will be required to be spent on imported goods and services, allowance should be made for the more immediate indirect effects of such a loan on imports.

project?

In special circumstances, where the Bank considers that the local ~~currency~~ part of the loan cannot be financed at home except at very unreasonable terms, it can lend that portion to the borrower out of local currency held by the Bank.

- 8. To participate up to 60 percent of the loan with private financial agencies in the financing of any undertaking provided all the conditions listed under section 5 above are fulfilled except that the terms can be less favorable to the borrower than would be the case were the Bank to undertake the loan itself.

Change  
See text  
copy

0.

9. To make certain that the international Bank makes no loans that can be handled by private institutions at reasonable rates, the following conditions of making any loan should be established:
- a. A vote of the Board approving the loan should be followed as soon as possible by the publication of the technical report on which the decision was based, and the publication of the proposed terms and conditions of granting the loan.
  - b. The decision to make a loan shall not become operative until 30 days after such publication, and only if before the end of that 30 days no reliable financial agency is prepared to make a similar loan to the prospective borrower at rates of interest which are not more than one-third higher than the Bank is prepared to charge, and for a period of years that is not more than 10 percent shorter than the period for which the Bank is willing to extend the loan, and the rate of redemption proportionately greater than the Bank is willing to establish.

If a reliable private financial agency indicates its preparedness to provide a loan under the above conditions, it shall be given 60 days in which to implement the arrangement. An appropriate guarantee should

*assurance*



9. The Bank shall make no loans that can be placed through the usual investment banking channels at reasonable rates of interest. To assure the applicability<sup>tion</sup> of this principle, the Bank shall pursue the following procedure:

- (a) All loans shall be approved conditionally, with the option of requiring the placing of the loan through the usual investment banking channels.
- (b) After the Board approves a loan, the Bank shall publish the technical report <sup>recommending</sup> favoring the loan, and the agreed terms and conditions for the loan.
- (c) The Bank shall advertise for bids from responsible investment banks, the closing date for the bids to be 30 days after the publication of notice.
- (d) The Bank shall award the issue to the responsible financial bidder proposing the most acceptable terms, if such terms do <sup>to the borrower & to the Bank</sup>

not involve a rate of interest by more than 1 percent higher or a period by more than 3 years longer.

- (e) The member government and the Bank shall be the sole judges of the acceptability of any bids.
- (f) The Bank may place loans<sup>part or all of any</sup> it has previously made for public distribution through the usual investment banking channels. To facilitate the placing of such loans, the Bank may, in its discretion, <sup>guarantee</sup> endorse the loan.

In placing such loans, the Bank shall advertise for bids and may award the loan to the most ~~acceptable bid from~~ <sup>or any part thereof</sup>

~~a financially responsible bidder~~  
<sup>responsible bidders tendering the most acceptable bids</sup>  
~~which shall be accepted if the price is not less than the fair value~~  
<sup>of the securities which shall be deemed acceptable.</sup>

Amend last paragraph of item IV A 9 (page 9) to read as follows:

"9. If a reliable private financial agency indicates its preparedness to provide a part or all of a loan under the above conditions or to do so with the guarantee of the Bank (consistent with item IV A 6), it should be given 60 days in which to implement the arrangement. An appropriate guarantee should be required by the Bank of the financial agencies to assure availability of the funds."



be required by the Bank of the financial agency to assure availability of the Funds.

10. The borrower receives not more than 20 percent of the loan in cash. The borrower may obtain 10 percent of the loan in gold or any currency it desires, the remainder of the cash portion of the loan must be in local currency.

*See Lux's draft for substitute part 9 to become 11*

The remaining 80 percent of the loan is in form of a deposit kept with the Bank. The borrowing country draws on that deposit by check or checks drawn in terms of the specific currency needed. The checks are accompanied by invoices or other appropriate evidence of foreign goods or services purchased.

11. Interest payments due on loans are payable in gold. The Bank may, however, accept local currency instead of gold if its holdings of the local currency are in its opinion inadequate for its needs.

Interest will be payable only on amounts withdrawn.

12. Repayment of the principal of the loan must be in gold or in currency borrowed at the option of the borrower. Sinking fund payments must consist of gold, or of currencies in proportions of each currency borrowed.

*Substitute*

Repayments of principal and interest payments whether in gold or currency must be equivalent to the Unitas value of the currencies at the time of borrowing.

*add 13a*

Amend item IV A 12 (page 10) to read as follows:

"12. Repayment of the principal of the loan and sinking fund payments must be in gold. If at the time a loan is made or a credit extended the Bank does not make available to the borrower the currencies of all member countries, the Bank and the borrower may agree that repayment may be in gold or, at the option of the borrower, in the currency actually borrowed. Repayments of principal and interest payments whether in gold or currency must be equivalent to the Unitas value of the currencies at the time of borrowing."

Add the following item after item IV A 12 (page 10):

"13. Any loan made, guaranteed or participated in by the Bank <sup>shall provide that it</sup> may be repaid, at the option of the borrower, in whole or in part, at any time prior to its maturity. The Bank may also arrange for the refunding, through governmental or private financial channels, of any loan made, guaranteed or participated in by the Bank."



13. The Bank or any of the officials of the Bank shall scrupulously avoid any interference in the political affairs of any member country. (In the case of an official of the Bank, this prohibition does not apply to the affairs of his own country.)

The Bank shall not be influenced in its decision to grant or withhold loans by the political character of the government of the country requesting a loan. Economic considerations alone should be relevant to the Bank's decisions.

14. To assist in the financing of an International Essential Raw Material Development Corporation for the purpose of increasing the world supply of essential raw materials and assuring member countries an adequate supply at fair prices, provided:

- a. Three-fourths of the member votes approve each separate project and amount invested.
- b. The product is sold to member countries on equal terms.

15. To assist in the financing of an International Commodity Stabilization Corporation for the purpose of stabilizing the prices of important commodities, provided:

- a. Three-fourths of the member votes approve.

*The Bank may make loans to international govt agencies for purposes consonant with those of the Bank, provided that government shares are participating 1/2 to in such agencies*

- b. At least five governments participate directly in the management and operation of the corporation and subscribe to part of the capital of the corporation.
- c. The corporation will undertake to stabilize the price of any specific commodity only with the consent of the Bank.
- d. The provision for the determination of policies governing the operations of the Corporation give, in the opinion of the Board, assurance of proper regard for the interests of world consumers as well as those of producers.

*Johnston for*

16. In the event of war:

- a. The Board may suspend payments due it by invaded or attacked countries.
- b. The Bank shall not extend any financial assistance to any country while it is at war.
- c. If there be established an international body, agency, league, or court, to which 50 percent of member governments belong, which has the authority to designate certain countries at war as being the aggressor nations, then all the member governments of the Bank undertake:

*Should bank determine this. Suggests it determine conflict with agency of industrialized n. c.*



(i) To impose at once complete prohibitions on all financial transactions of any character with the designated aggressor nations.

*or for the benefit of*

(ii) To prohibit the extension to the aggressor country of any financial assistance by government or private persons or institutions until after the war, and then only after the aggressor nation shall have fully paid up its obligations to the Bank.

*Agreement this  
belong in the  
agreement setting  
up that agency.  
XX country  
forms B1 but not  
agency it is in  
and add provision*

(iii) To agree that sums due the Bank shall constitute a first claim on the assets, or current income of the aggressor nation and a prior claim to any indemnities or reparation payments.

(iv) To freeze all assets of the aggressor nations <sup>and their nationals</sup> and place such assets <sup>under control</sup> in control of the ~~government.~~

*Country as suspended from membership*

17. If the Bank shall declare any member in default, the member countries agree not to extend any financial assistance to that country, nor permit any of its nationals to extend any financial assistance to that country, until the country has paid sums due the Bank.

*to a board  
of government whether  
should be helped  
or bankrupt  
might require  
future to country  
below suggestion to  
condition*

B. For the acquisition of additional resources —

18. To accept demand, time and custody deposits and accounts from participating governments and their

fiscal agencies and central banks and from the Fund.

19. ~~To issue and to sell~~ *The Bank may* short-term notes, debentures, and other securities and obligations, to obtain assets for the purposes of the Bank.

*Shouldn't there be a limitation*

20. ~~To rediscount with any government or fiscal agency~~ *The Bank may* or central bank bills, acceptances and other instruments of credit taken from the Bank's portfolio.

*20/2*  
C. To facilitate the rendering of services --

*four*

21. To act as a clearing house for checks, drafts, acceptances, funds and balances for the account of participating governments, their fiscal agencies, central banks, and international banks and stabilization funds.

*To offer for sale, with or without endorsement, securities that has obtained through loans.*

22. ~~To act as agent or correspondent for the governments of member countries and their fiscal agencies,~~ for central banks and for international banks and stabilization funds.

23. To buy, sell, hold and deal in gold and to hold gold under earmark.

*Limit right to buy & sell gold at price above or below value of units except with approval of large portion of votes.*

(a) Add the following item after item IV C 23 (page 14):

"24. To engage in foreign exchange transactions either through the facilities named in IV D 25 or otherwise."



24. To engage in financial and economic studies and publish reports thereof.

D. Limitation of dealings --

*Except as otherwise indicated,*  
197. <sup>1</sup> The Bank shall deal only with or through

- a. the governments of members of the Bank,
- b. the central banks or fiscal agencies of those countries (and then only with the consent of the member of the Board representing the country in question),
- c. the United Nations Stabilization Fund, and
- d. any international bank owned predominantly by member governments.

~~An exception to the above limitations is that~~

<sup>nevertheless,</sup>  
<sup>1</sup> The Bank may, with the approval of the member of the Board representing the Government of the country concerned, sell its own securities or securities it holds to the public or to institutions of member countries.

(b) Amend item IV D 25 (pages 15 and 16) by adding at the beginning:

"25. Except as otherwise indicated, the Bank shall deal only  
with or through, etc."



IV. Management

1. In all matters voted upon each member government shall be able to cast 100 votes plus one vote for each share of stock held. Thus a government owning one share shall be able to cast 101 votes, while a government having 1,000 shares shall be able to cast 1100 votes. The maximum vote permitted any government shall be 20 percent of the total, irrespective of the sum subscribed.
2. The Administration of the Bank shall be vested in the Board of Directors composed of one director and one alternate appointed by each participating government in a manner to be determined by it.  
  
The director and alternate shall serve for a period of three years, subject to the pleasure of their government. Directors and alternates may be reappointed.
3. The Board of Directors shall select a President of the Bank, who shall be the chief of the operating staff of the Bank and ex-officio Chairman of the Board, and one or more vice presidents. The President and vice presidents of the Bank shall hold office for four years, shall be eligible for reelection and may be removed for cause at any time by the Board. The staff of the Bank shall be selected in accordance with regulations established by the Board of Directors.

4. The Board of Directors ~~may also~~ <sup>shall</sup> appoint from among its members an Executive Committee. The Board may at any meeting, by a four-fifths majority vote, authorize the President or the Executive Committee or any other committee of the Bank to exercise any specified powers of the Board. Such powers shall be exercised only until the next meeting of the Board and shall be exercised in a manner consistent with the general policies and practices of the Board. The Board may also, by a four-fifths majority vote, delegate to designated officers and committees of the Bank, for such periods as it may determine, power to make loans and extend credit in such amounts as may be fixed by the Board.

*of not less than 11 members*

*Should limits be specified*

5. The Board of Directors may appoint advisory committees chosen wholly or partially from persons not regularly employed by the Bank.

6. Except where otherwise provided, decisions of the Board of Directors shall be by simple majority of the votes cast (each member of the Board casting the votes allotted to his government). When deemed by the President to be in the best interests of the Bank, decisions of the Board may be made, without a meeting, by polling the directors on specific questions submitted to them in such manner as the Board shall by regulations provide.



7. Authorization or approval by two-thirds majority vote of the Board of Directors shall be required for (a) the making and granting of intermediate and long-term loans and credits in excess of \$10 million to any member country during any one year, including the assumption of the obligation of a guarantor of intermediate and long-term paper; (b) the issuance of debentures and other securities and obligations of the Bank; (c) the selection or removal of the President and the vice presidents.
8. A member country failing to meet its financial obligations to the Bank shall be declared in default and may be suspended from membership during the period of its default provided a majority of the member votes so decide. While under suspension, the country shall be denied privileges of membership, but shall be subject to the obligations of membership. When a country has been under suspension for two years, it shall automatically be dropped from membership in the Bank.
9. Any member dropped from membership in the Bank shall automatically be deprived of membership in the International Stabilization Fund.
10. If a member country elects to withdraw or is expelled from the Bank its shares of stock shall, if the Bank has a surplus, be repurchased at the price paid. If the Bank's

*Belong  
in ISF +  
not here*

books show a loss, such country shall bear a proportionate share of such loss. The Bank shall have 5 years in which to liquidate its obligations to a member withdrawing from the Bank. Any member that withdraws or is dropped from the Fund, shall forfeit its membership in the Bank unless three-fourths of the member votes favor its remaining as a member.

To be eligible for membership in the Bank a country must become a member of the International Stabilization Fund.

11. The yearly net profits shall be applied as follows:
  - a. Twenty-five percent of the profits shall be applied to surplus until the surplus shall be equal to 20 percent of the paid-in capital, after which all profits shall be distributed in proportion to shares held.
  - b. Profits shall be payable in a country's local currency, in Unitas, or in gold at the option of the Bank.